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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## FAQ AUDITORS' ASSOCIATION FALL 2013 CONFERENCE

*Indiana Department of Local Government Finance October 30, 2013*

**1. If a person who had an over 65 deduction moves to a new address, does the person have to wait a year to start receiving the deduction?**

The applicant must still own or be buying under contract the real property, mobile or manufactured home for at least one year before filing for and receiving the deduction. It may be possible for the deduction to remain on the old property if the person moved from that property after March 1 of the year.

**2. If the length of time (terms) on the contract differs from what is reported on the sales disclosure form, which should be followed and/or applied?**

The contract controls, but the SDF must be corrected by the signatories to the contract.

**3. Is a sales disclosure form required for a split (example: parcel is 20 acres and transfer involves only 5 acres)? Does it matter if money is exchanged?**

When a transfer of a real property interest is made for valuable consideration, a form must be submitted, regardless of whether any conditions apply. Even if a transfer is made without consideration but any of conditions B(12) through and including B(15) on the form apply, a form must be submitted. If a transfer is made without consideration and none of the conditions B(12) through and including B(15) apply, then no form need be submitted (and thus there is no fee to pay).

**4. Regarding the veterans deductions, will there be two separate forms for vets to collect excise credit (one form for vets who own property and one for those who don't)? Also, does the auditor have to sign the affidavit in front of a notary or can a deputy sign on her behalf?**

State Board of Accounts has recently announced it will not retire the Form 128-Vet, which should still be used for vets who do qualify for a disabled veteran deduction and who have an unused portion of the deduction that can be applied to excise taxes. For vets who do not own property eligible for a disabled vet deduction, the auditor is only required by law to supply an affidavit affirming the vet owns no property eligible for a disabled vet deduction. County auditors should consult their county attorneys for guidance on how to properly notarize a document and whether their deputies have legal authority to sign an affidavit on behalf of their auditors.

**5. Can a property receive more than one mortgage deduction?**

Although the mortgage deduction statute technically does not limit the number of mortgage deductions that can be applied to a property, the DLGF understands that the nature of a mortgage as a financing instrument does not lend itself to multiple deductions. If two individuals own two pieces of property, each of which has a mortgage on it, then one person could have a mortgage deduction on one of the properties and the other individual could have a mortgage deduction on the other property.

**6. Let's say a mother and daughter are listed as deeded owners to a property. The mother lives on the property, but the daughter resides somewhere else. For purposes of determining eligibility for the Over 65 Deduction, should we take into account both the mother and daughter's income or just the mother's? If just the mother's income is taken into consideration, does that mean the deduction amount allowed is only half the maximum?**

In order for the applicant to qualify for the over 65 deduction, all other co-owners (except a spouse) must also reside on the property. In this situation, because the daughter (who is a co-owner) doesn't live on the property, the mother wouldn't be eligible for the deduction. In general, in order to be eligible to receive the over 65 deduction, the combined adjusted gross income of the individual and his or her spouse or the individual and all other individuals with whom the individual shares ownership as joint tenants or tenants in common cannot exceed \$25,000 for the calendar year preceding the year in which the over 65 deduction is claimed. Therefore, the county auditor should consider the adjusted gross income of all owners (as joint tenants or tenants in common) of the property when determining eligibility for the over 65 deduction.

**7. Why does the sales disclosure form not include a question pertaining to marital status if the new owner is applying for a homestead deduction? Wouldn't the county auditor's office need to know what the marital status is when the SDF arrives at the county auditor's office, in order to secure spousal information if the spouse is not listed as an owner?**

Only the spouse completing the SDF needs to sign the form. However, if one spouse wishes to use the SDF to complete the application for the homestead standard deduction, both spouses' identification numbers must be provided regardless of who is the owner of the property. The SDF already states that "Spouse information, Social Security and Driver's License/Other numbers are not necessary if no homestead deduction is being filed." Thus, there is no need for an additional question pertaining to marital status as the SDF already tips off the applicant that both spouses' information is needed when a deduction is being applied for.

**8. When we sent tax bills out this year we had different things happen with the homestead deduction filed on the sales disclosure form. Here are two examples:**

- (a) An owner filed a homestead deduction on the property he just bought and had one on his other property, as well. So when he received his bills, he has a homestead deduction on the new parcel and not on the old one, though he never moved to the new home. What should happen here?**

If the homestead deduction on the first property was validly in place on March 1 of the year, it will stay in place for that cycle whether the owner moved from that property or not. If the second property was not used as the person's principal place of residence during that tax cycle, then it is not eligible for the homestead deduction.

- (b) A title company filled out the SDF and marked that it is going to be the new owner's primary residence, but it didn't file the homestead deduction for the new owner. The new**

**owner assumed it was filed for him but it really wasn't. Since then, we have asked this certain title company if they meant to file the deduction for him. They said they tell the new owners to come and file for the deduction themselves.**

If the title company checked the correct boxes and the applicant properly signed the form and provided the requisite information (i.e., last five digits of driver's license and social security numbers), then the individual can have the homestead deduction. There would be no need to file an additional application. If the applicant did not provide the necessary information, then the person did not validly apply for the homestead deduction for that tax cycle. He or she may certainly file a standard application for the deduction for the next tax cycle.

**9. Is there any way to make the new owners verify that they are residing at the new residences?**

Applicants sign under penalties for perjury that they are eligible for the deduction. Indiana law does not require new owners to supply additional affirmations/verifications of eligibility. Certainly if an auditor becomes aware that a person is ineligible for a homestead deduction, there is recourse under IC 6-1.1-36-17.

**10. If a person builds a new home after March 1, how can he file for a homestead deduction for the next year when the assessment will still only show vacant land?**

If land is vacant on March 1 or the home is only partially completed as of March 1, the home is then completed later in the year, and the person timely files a homestead deduction application, it is possible for that person to receive the deduction for that tax cycle and beyond. The deduction would have to be calculated and applied to the property based on the assessed value of the property on March 1. In other words, if the assessed value of the vacant land on March 1 is \$30,000, the homestead deduction would be \$18,000 (the deduction is the lesser of \$45,000 or 60% of the assessed value of the property).

**11. Can a veteran have a disabled veteran deduction and a disabled/blind person deduction as well?**

Yes.

**12. Is there a maximum dollar amount for a veteran who only qualifies for excise tax credit?**

For "excise-only" veterans, the amount of the credit is equal to the lesser of the following:

- (1) The amount of the excise tax liability for the individual's vehicle.
- (2) \$70.

Again, the auditor need only provide an affidavit to the "excise-only" veterans. The law does not require the auditor to address the credit amount.

**13. What is the maximum number of vehicles for which a veteran may claim a credit and what is the amount of credit per vehicle?**

The maximum number of motor vehicles for which an individual may claim a credit is two. The individual could potentially receive a full \$70 credit on each vehicle.

**14. Protected/Unprotected Taxes Distribution – In the ordinance passed in June, will the language need to include an actual amount? I can't imagine it to be so as settlement is June 30 and the Council will not meet prior to June 30. So, they would not know the amount. The same is true for**

**the December settlement. For the reporting date of June 30 or December 30, it would be impossible to have an ordinance in place.**

The actual details of this ordinance/resolution have not yet been finalized. However, the Department agrees that it would not be possible for a taxing unit to include actual amounts of distributions in the ordinance/resolution as the taxing unit would not know the distribution amount at the time of adoption. It is possible that the ordinance/resolution would allow the taxing unit to redistribute the circuit breaker losses identified on the abstract. There would then be additional steps necessary to further adjust these values to account for collection rates and other impacts to actual distribution. Additional guidance will be provided as we get closer to the time in which this ordinance/resolution would need to be adopted.

**15. If you could add a cumulative fund (that is not outside the levy), will it increase our levy or just take away from things like the general fund?**

Adding a cumulative fund for a unit will count toward that unit's maximum levy if it already has an existing cumulative capital development fund ("CCD") or other cumulative funds that reach the limit allowed outside of the maximum levy. So, if a unit has no cumulative fund and it establishes a CCD, it will allow the unit to make a miscellaneous change adjustment to the maximum levy. If the unit decides not to have the cumulative fund levy, the miscellaneous change adjustment would go away and the maximum levy would be the same it would have been without the cumulative fund. Also, when the assessed value growth quotient ("AVGQ") is added to the next year's maximum levy, the cumulative fund miscellaneous change adjustment is not included.

**16. On CEDIT allocation amounts, how do you know if your county distribution is based on population or levy?**

According to IC 6-3.5-7-12, the fiscal body that imposed the CEDIT may adopt an ordinance to allocate the tax according to population. The fiscal body is either the income tax council for COIT counties or the county council for CAGIT counties. The distribution report certified by the Department indicates which method, either levy or population, was used to determine the distribution.

**17. When will additional appropriations be in Gateway?**

Due to additional required statutory reports, the additional appropriation process has not yet been included in Gateway. We hope to have this process integrated sometime in 2014, but it will depend on resources available and future demands of our application development team.

**18. Why can't we mark "ready to submit" on Gateway Budget? It would be helpful. Is there a reason why not?**

Currently, users with submission rights can mark all forms as "ready to submit." Certain data validation within the program occurs at this time. The form cannot be marked as "ready to submit" until the user with submission rights signs the form with the correct PIN. On the forms, this "ready to submit" function serves as a check to ensure that all the required information is completed. If we allowed all users to be able to mark the form as "ready to submit" without a signature, then nothing would ensure the forms were electronically signed by the appropriate party.

Beginning this year, we made a special exception so that those with edit-only rights can mark the Form 3 and Form 4 as ready to submit, in order to be able to print the forms. We were able to make this accommodation because the signatures in Gateway for the Form 3 and Form 4 are not the binding document.

**19. On the spreadsheet we do for assessed value changes following submission in August, do we include any deductions that we change?**

In those spreadsheets, deduction changes do not need to be tracked. Additionally, for the current year, we only track changes to gross assessed value. In future years, as required by the Department's new standards for 50 IAC 26 testing, these spreadsheets will include more detail and be automatically generated by the Tax and Billing Software.